

CONFIDENTIAL
INFORMATION REPORT

File 150

COUNTRY Austria/USSR

DATE DISTR. 10 OCT 50 25X1

SUBJECT Recent Developments in the Soviet Oil Administration (SMV)

NO. OF PAGES 5

THIS IS UNEVALUATED INFORMATION

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SMV Refining

1. The SMV financial crisis of the past two months has been underscored by recent difficulties SMV refineries have encountered in the procurement of raw materials, particularly sulfuric acid. Production at the Moosbierbaum, Nova-Denow, Kledering, Okeros-Stockerau, and Voessendorf refineries is reportedly at a complete standstill. (1) The Wifo-Lobau and Lobau refineries are still operating at their normal capacity because they do not require sulfuric acid for the high octane (Hochoktign) gasoline which they are now manufacturing.
2. About the middle of July 1950 a committee of purchasers from various SMV installations went to Kuzin, Soviet director of the Purchasing Office, and asked his permission to procure their own raw materials as they had in the past. Kuzin refused their request and instead instructed each purchaser to draw up a list of items most urgently needed by his enterprise. Because of shortages of cash at the Purchasing Office, none of these materials was procured. Finally, on 4 August 1950 representatives from the Nova-Denow, Korneuburg, Moosbierbaum, Voessendorf, Lobau and Vacuum Oil Company refineries and from the Neusiedl and Matzen drilling areas called on Kuzin and informed him that as a result of his mismanagement their enterprises would be forced to close down in three days. Upon hearing this announcement Kuzin went directly to SMV Headquarters and returned with 200,000 schillings which he promised the committee he would spend for the immediate purchase of sufficient raw material to cover their requirements for one week.
3. Shortly after the visit of this committee, Kuzin disbursed a payment of 120,000 schillings to Donau Chemie A.G. for immediate deliveries of sulfuric acid. Of this amount, 85,000 schillings were absorbed in clearing the SMV's debts to this USTA firm. Donau Chemie accepted the 35,000 schilling remainder as down payment on three carloads of sulfuric acid which the SMV Purchasing Office allotted, one carload apiece, to the Voessendorf, Nova-Denow, and Korneuburg refineries. This purchase of sulfuric acid, however, represents only a fraction of the amount these refineries require to meet their present production commitments. In order to have these three shipments delivered from Donau Chemie in Liesing to the refineries, Kuzin had to pay the Austrian Federal Railways 50,000 schillings for outstanding transportation charges.

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Next Review Date 2000

Document No. 12
No Change in Class.
Declassified
Class. Changed To: TS S C
Date: 23 JUN 1978

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Approved For Release 2003/08/11 : CIA-RDP82-00457R005900130012-4

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4. Donau Chemie in turn is having its own difficulties in procuring raw materials and may soon be forced to halt production of sulfuric acid for lack of essential pyrites. This firm which regularly imports pyrites from a Bulgarian supplier has not received any pyrites from Bulgaria for several months. In fact it is still awaiting delivery of an order which it placed with this Bulgarian supplier over a year ago. Sometime during the first week of August 1950, Donau Chemie notified the SMV Purchasing Office that after the middle of August it will no longer be able to supply the 98.75 percent pure sulfuric acid which is required for refining processes. (2)
5. During the week of 7 August 1950, a representative of an unidentified Yugoslav chemical firm approached the director of the Nova-Denow refinery and offered immediate delivery of 150 tons of sulfuric acid. The Nova-Denow director was eager to complete the transaction but Soviet officials both at SMV Headquarters and at the Hotel Imperial refused to authorize this purchase. (3) Despite this Soviet policy, some refinery officials have bypassed the SMV Purchasing Office and managed to procure a limited amount of sulfuric acid.

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Matzen [redacted]

6. In spite of recent Soviet efforts to develop the Matzen oilfields as rapidly as possible, production at Matzen has fallen off since the first of August. The Soviets recently posted notices throughout the Matzen area stating that they are not accepting applications for employment. Although construction work on railroads and highways in this area which was started several months ago has been accelerated, no additional laborers have been hired for these projects.

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Construction of a Hohenau-Zistersdorf Highway [redacted]

7. The Soviets have recently demanded that the provincial government of Lower Austria construct a concrete highway from Hohenau to Zistersdorf. (4) The present asphalt road between these two points is in a poor condition and seldom used. It is rumored in the oil fields that the Soviets plan to use this highway for incoming traffic from Czechoslovakia.

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SMV Imports [redacted]

8. The following import shipments arrived at the SMV Central Warehouse in Neusiedl a/d Zaya during the first week of August 1950:

3 carloads of iron pipe, weighing a total of 180,230 kilograms, from Taganrog, USSR. (5)

2 carloads containing 55,720 kilograms of iron pipe from Khrompik, USSR.

1 carload containing 42,020 kilograms of iron pipe from an unknown origin in the Soviet Union.

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3 carloads containing 128 sections of iron pipe, weighing a total of 46,710 kilograms, from Csepel, Hungary.

4 cases containing 137 kilograms of ball bearings from a ball bearing factory in Saratovsky, USSR.

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9. During the week of 7 - 14 August 1950 the SMV Central Warehouse in Neuquiedl a/d Zayl received the following import shipments:

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4 carloads of pipe, weighing a total of 79,740 kilograms, from Duyoersvsk (sic), USSR.

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4 cases of ball bearings, weighing a total of 192 kilograms, from the Kaganovich ball bearing factory, Moscow.

SMV Purchases:

10. During the week of 7 August 1950 the SMV Purchasing Office disbursed the following expenditures:

<u>Name</u>	<u>Item Purchased</u>	<u>Payment in Schillings</u>
* Donau-Chemie A.G.	On account for sulfuric acid	100,000.00
*Hst. Fgydyer Eisen-u. Stahlindustrie G.m.b.H.(7)	On account for cable	100,000.00
K. J. Baldauf (8)	Building material	99,541.80
* Draeger G.m.b.H.	Construction parts	4,977.90
* Osram G.m.b.H.	Electric light bulbs	10,528.05
Dipl. Ing. Foesch (9)	Nozzles	5,616.00
Vladimir Slechta vorm. Lederer u. Nessenyi	Fire brick	15,492.35
Bock (10)	Electrical material	3,738.50
Montanwerke Brixlegg G.m.b.H.	Heavy spar	5,307.00
"Chemia" Chemikalien G.m.b.H.	Hydrochloric acid	4,000.50
Tramstern-Vertrieb	Ball bearings	8,857.20
F. Haberkorn	Steigeisen	1,121.12
Dorfner (11)	Tires and tubes	1,800.00
Max Wachmann	Pipe	2,672.00
Karl Sterling's Wtw.	Auto repairs	2,291.60
Josef Altschul	Electrical material	19,248.62
Robert Nissl	Cast iron armatures	5,482.73
Friedrich Wiebe	Welding yarn and wire	6,012.00
Ing. Feri. Eichler	Armatures	3,443.82
Mercedes-Benz	Spare parts	2,404.60
Foebik (12)	On account for iron girders	1,832.84

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SMV Scrap

11. During recent weeks the volume of scrap shipments from the SMV oil fields has decreased considerably. Eastbound scrap shipments from the Wifo-Lobau storage depot between 31 July and 7 August 1950 consisted of two carloads of copper and brass scrap and one carload of steel scrap which Eisen- u. Stahl A.G. dispatched to the USSR and Hungary.

Soviet Attempts to Locate Pre-War Oil Field Data

12. Soviet authorities who for months have been trying to locate charts of the Austrian oil fields which they maintain were drawn up before the war by German geologists are now convinced that these documents are in the possession of officials of the Van Sickle or the Vacuum Oil Company. (13) Certain SMV employees predict that the Soviets in their eagerness to discover rich untapped oil deposits in SMV-controlled areas may attempt some drastic action against both these companies to force one of them to surrender these plans.

SMV Personnel

13. A group of visitors from the USSR has recently been inspecting SMV Headquarters, the Purchasing Office and the SMV installations in Neusiedl. These visitors have been treated with great respect and it is rumored among SMV employees that the leader of this group is a Siberian general.
14. In spite of all Soviet attempts to retain him in their employ, Riha, director of the SMV central storage depot at Neusiedl, has resigned. Fear that he will be held responsible for the mounting deficit at the Neusiedl storage depot has prompted him to sacrifice his salary of 2,800 schillings per month. (14)
15. Kuzin, director of the Purchasing Office, continues to transfer, demote and dismiss all who oppose him. Within the past two weeks he has fired Kacerovsky and Maschek, both loyal Communist Party members; demoted Stracka from his position as Platzmeister of the Lobau warehouse to that of an ordinary laborer; and assigned Diwald, an SMV purchasing agent, to the warehouse at Lobau. (15)
16. On 14 August 1950 Djomen, who has been an auditor for SMV Headquarters, was appointed comptroller of the SMV. (16)
17. Recently, a former Soviet major who had been director of the Moosbierbaum refinery deserted and was apprehended three kilometers from the western demarcation line of the Soviet Zone of Austria.

- (1) Comments: a. This report that five of Austria's refineries have come to a complete standstill is exaggerated.

Although they may well be suffering from a shortage of sulfuric acid, they must be obtaining it in sufficient quantities to enable them to continue refining even though only on a limited basis. Gasoline storage facilities have always been a critical problem in Austria. Had the refineries ground to a halt the stoppage could only have been temporary. Otherwise the Austrian economy would have felt it immediately in the form of soaring gasoline prices; the entire non-Communist press would have pointed accusing fingers at Soviet efforts to disrupt the Austrian economy; delegations from the fields would have complained to the Chamber of Labor about mass layoffs in the refineries; and emergency representations would have been made by the Austrian Government to ECA Austria to alleviate the impending gasoline shortage which would bring the entire Austrian economic system to a halt. None of these steps has been taken. Neither is it logical to try to explain refinery idleness as a strategic Soviet move to hamstring the Austrian economy prior to a European war. The Zistersdorf fields would obviously play an important part in Soviet logistic planning for a westward sweep and the Soviets probably could not afford to let either the fields or refineries run down in war as their plan.

b. USIA has periodically shown up with an acute schilling shortage which resulted in personnel layoffs, unpaid bills and disquieting rumblings throughout the USIA complex. That the Soviets intend to try to disrupt the Austrian economy through deliberate sabotage of the Zistersdorf fields and refining facilities is thought here to be most unlikely. It is rather

the Soviet planning system USIA and SMV firms should be able to run themselves without financial support from the USSR. The fact that external influences, over which Moscow has no control, arise to spite them cannot always be foreseen. Previously when they have suffered from a lack of schillings, the Soviets have released hard currencies for the purchase of necessary schilling funds they were unable to acquire in other ways. There is little doubt among local observers that once the Soviets recognize the situation as having arrived at the breaking point they will again purchase schillings, dipping into their dollar or other hard currency reserves to do so. On the other hand, reluctance to purchase schillings on the black or open markets now is understandable with the schilling as strong as it has been in many months.

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(2) [] Comment: Negotiations are currently being carried on by the Creditanstalt Bankverein with Yugoslavia [] for the purchase of pyrites mainly for Austria's paper industry. Some of these pyrites will probably find their way to Czechoslovakia and some may perhaps be diverted for the manufacture of sulfuric acid.

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(3) Comment: The Soviets' refusal to deal with a Yugoslav firm may have been based entirely on political reasons; however, it may be part of a deliberate plan to sabotage the Austrian economy.

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(A) Comment: This information has been confirmed in an unprocessed report

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(5) Comment: As a rule, a carload of pipe contains approximately: 300 meters of 14-inch pipe; or 1,000 to 2,000 meters of 1 to 3 1/2-inch ascending pipe (Steelbore); or 7,000 to 8,000 meters of 6 5/8 - inch compression pipe.

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(6) Comment: The expression, "Gluck auf," is used as an indicator on those pipe shipments from Mannesmann, Duesseldorf, to Pongracz & Bock, Vienna, which are to be forwarded to the SMV. Engr. Fuhrmann, a Russian-speaking employee of the consignee firm, immediately despatches these pipe shipments to the Central Commercial Bureau of USIA for delivery to the SMV Central Warehouse.

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(7) [] Comment: The SLV is over 800,000 schillings in debt to this firm.

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(8) Comment: The SMV owes this firm more than 500,000 schillings.

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(9) Comment: Possibly identical with Carl M. Poche, Gummiwaren-Grosshandlung,
Vienna XVI, Thaliastrasse 2.

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(10) Comment: This firm cannot be accurately identified from available reference material.

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(11) Comment: Probably Herbert Dorfner, Vienna XVII, Elterleinplatz 9-10.

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(12) Comment: Probably Johann Poitlik, Erzeugnisse d. Eisen-u. Metallindustrie,
Vienna I; Buchengasse 44.

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(13) [redacted] Comment: [redacted] the Soviets were inspecting all pre-war files at SLV installations in an effort to locate these oil field charts [redacted]

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(16) [redacted] Comment: Djomen will presumably fill the position held by Thienel, from Luzin fired last month [redacted]

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* Firms marked by an asterisk are USIA-controlled.